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SUBJECT: CAMEROON FINANCE MINISTER DISCUSSES THE ECONOMY

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Classified By: Poloff Tad Brown for Reasons 1.4 b and d.

¶1. (C) Summary: Cameroon Finance Minister Essimi Menye told the Ambassador during her December 21 courtesy call that "the future of Cameroon is cocoa" and that long-running plans to privatize national airline CAMAIR and national telecom CAMTEL are being revisited. Economic growth will remain less than 5 percent for 2008, and the Government of Cameroon (GRC) needs to focus on investment, especially in the agricultural sector, in order to spur short-term economic expansion, he said. Recently brought into the cabinet from a stint at the IMF, Essimi Menye's lack of a more coherent vision for Cameroon's economy and his apparent backtracking on the CAMAIR and CAMTEL privatizations was disappointing. End summary.

Growth Below 5%; More Investment Needed  
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¶2. (SBU) Menye said the IMF's recent review of the GRC's economic performance, completed December 19, was generally favorable, with its only criticism focused on the sluggish pace of the CAMAIR and CAMTEL privatizations. Economic growth is not picking up in large part because the execution of the investment budget remains problematic and national production levels have failed to increase, opined Essimi Menye, adding, "to spur growth, we need to invest more." The coming year will be better, predicted the Minister, because of an increased investment budget and the selection of "better-prepared" projects.

¶3. (SBU) Menye predicted that economic growth would remain below 5 percent in 2008, with prospects for stronger growth if the GRC succeeded in spurring agricultural production and carrying out a planned expansion of infrastructure construction. To this end, the GRC had lifted restrictions on importing cement in order to spur construction and to create more jobs within the next six to eight months. Menye listed aluminum, beer, soap and mineral water as Cameroon's main industrial products and said it would take at least a generation to produce the skilled workers and other inputs needed to spark industrial growth. The minister downplayed persistent criticism of Cameroon's business climate, blaming what he saw as the poor education of Cameroonian entrepreneurs and cultural differences for the difficulties

foreign investors have in dealing with Cameroon's bureaucracy.

#### Cocoa: The Future of Cameroon

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14. (SBU) According to Menye, the GRC will focus on agriculture. "Cocoa is the future of Cameroon, not industry" he said. From the current annual level of 180,000 Metric tons of cocoa, Essimi Menye said he would like to target 100 million MT annually. He estimated this would result in 500,000 additional jobs for farmers by 2015. Essimi Menye praised the contributions made by the U.S. Department of Agriculture through the Borlaug Fellows and Food for Progress programs.

#### CAMAIR: Looking for Partners

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15. (SBU) Without explicitly saying that the GRC had decided to abandon long-running plans to privatize CAMAIR, Menye said the GRC had decided to "go on a shopping trip" to recruit a new advisor, and identify two or three foreign partners who can come in quickly in a joint venture. The minister said the GRC would not conduct a further tender because "it will take too much time," adding that CAMAIR has flight routes to London, Paris, and Frankfurt.

#### CAMTEL: Revisiting Privatization Plans

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16. (SBU) Menye said only two (Indian) bidders had responded to the privatization tender for CAMTEL, only one of which was fully qualified. Because of this poor response, the GRC would invest in order to build up the national fiber optic network, he said. He dismissed the idea that the fiber optic backbone (running along the Cameroon-Chad pipeline) could be privatized, saying that such a utility should be open to all competitors. Furthermore, the fiber optic connection to SAT-3 is controlled by a contract involving the GRC, which

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could not be privatized, he said.

#### Civil Service Salaries and the Budget

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16. (SBU) Menye said President Biya had personally asked him to research the possibility of raising civil service salaries. The Finance Minister argued that, in light of Cameroon's heavy dependence on imports, salary increases would trigger import growth that would negatively impact the balance of payments. Salary raises, therefore, cannot be pursued until Cameroon can increase its exports, which will require more domestic production and investment in infrastructure, he said. When Ambassador asked about the relatively high proportion of the budget dedicated to defense expenditures, Essimi Menye said he shared the view that the allotment was too much but admitted that he was not involved in setting the allocation for defense spending, which is decided by the Presidency.

#### Comment

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17. (C) We had hoped for a more inspiring and holistic vision of how to jump-start Cameroon's sluggish economy and improve the GRC's abysmal budget execution. With a decade of experience at the World Bank and IMF, Menye is seen by many as one of the brightest lights in the current cabinet and we are hopeful he will perform competently and relatively cleanly at the helm of Cameroon's finances. The minister professed an eagerness to welcome large-scale American investment in Cameroon but we were puzzled by his dismissive attitude toward the difficulties American companies face in doing business here. We were also disappointed by his lack of a more coherent vision for Cameroon's economy and his

apparent backtracking on the CAMAIR and CAMTEL  
privatizations.  
GARVEY